

Moultonborough
2012 Town Budget
Recommendations and Comments



Advisory Budget Committee

Thursday, January 19, 2012

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To the Members of the Select Board, Town Administrator
Moultonborough Town Hall
Moultonborough, New Hampshire 03254

The ABC has completed its review of the 2012 proposed Town Budget. At the time of this report, no Collective Bargaining Agreement (CBA) for the Moultonborough Police Union has been provided to the committee for review and evaluation. Costs that may result from conclusion of this contract have not been included in this budget. The ABC will issue a separate report outlining its review and comments as related to the CBA upon ratification of the contract.

The following report represents our independent opinions and suggestions. Any opinions and suggestions offered by the ABC represent our best efforts to maximize efficiencies, spending power and to consolidate redundancies between the various elements of Town-wide Administration (Town, Library, and School). Our suggestions and opinions should not be viewed as a negative reflection of the dedicated work done by the Select Board Members, Town Administrator and Town Administrative Staff.

Budget Summary:

The proposed Town Budget for 2012 (including capital, net of Highway Block Grant, \$150,000 and \$110,000 of reserve withdrawals) represents \$9,307,686 as compared to \$9,233,768 for the prior year 2011. The committee commends the Board of Selectmen and Town Administrative staff for delivering a responsible year-over-year budget with a nominal increase of approximately \$74,000, (.8% increase). The ABC further notes that this is the fourth consecutive year that the Town budget has experienced a zero to nominal increase without compromise to long term investment plans in plant and equipment and ongoing maintenance programs. This proposed budget does include expense increases to cover step raises for approximately half the staff (\$9,000) or approximately 3% for employees receiving step raises and an across the board COLA of 2.5 % (\$70,000), increased health insurance costs (\$120,000), budgeted costs of (\$10,750) for legal services and election costs related to a proposed study for a Charter Form of government and increased costs of (\$22,000) for enhancements to the existing GIS mapping system. The increases were offset approximately \$95,000 by moving certain recreation related expenses traditionally funded via "Tax Levy" to be paid from the Recreation Revolving Fund. Recent state statute relative to the NH Retirement system resulted in a budget decrease of approximately \$85,000. Additional savings of \$28,500 were realized by realignment of staff at the transfer station. All Departmental Budgets were scrutinized and within each, non-critical spending eliminated or deferred.

OBSERVATIONS & COMMENTS:

The ABC would like to take the opportunity to recognize and comment on the research and studies undertaken by the Administration in collaboration with the Town Fellow during the past year in response to items identified in past years' ABC Town Budget reports. Specific studies initiated by the Town included a comprehensive analysis of town trust funds, analysis of outsourced payroll, Study of SAU/Town recreation functions, after school programs, study and recommendations for the Recreation Revolving Fund and analysis of various funding alternatives for a change in the fiscal year and annual meeting date. The level of comprehensive analysis undertaken in each study is to be commended. Several of the studies were collaborative efforts involving both Town and School initiatives and resulted in proposed changes outside of the current comfort zone of operations.

The ABC provides the following observations and comments on the following issues:

- **Payroll** - The ABC has consistently recommended (over the last three years) the Town look to outsource payroll. From the outset we understood that the cost savings would be negligible. We report that the Administration did review our request during the year and determined that the anticipated annual cost increase of approximately \$4,000 was not sufficient to merit the time savings and liability avoidance

provided by outsourcing. While we respect the decision, we continue to believe that outsourcing the payroll and the related tax preparation process to a professional source would result in better use of town employee time and talent. We ask that the Town revisit this request in conjunction with evaluating alternative financial software next year.

- **Town Athletics/Recreation Functions & After School Programs:** We believe that Athletics and Community Youth Programs are an important and positive influence on our youth. Given the continued decline of youth population in this community we strongly believe that there are numerous opportunities to improve and strengthen the quality of program offerings to the community by joint collaboration of both the School and Town programs. After reviewing both the Study of SAU/Town Recreation Functions and the Study of Town After School Programs it was the opinion of this Committee that a significant amount of thought and effort was undertaken by the Town Fellow to suggest solutions that would improve the quality of town wide services and programs, save money, provide organizational efficiencies, maximize use of current building space and foster broader community wide participation. Moultonborough has and is projected to continue to have a declining youth population supported by the demographic study prepared by our own school district. This Town has a unique and short window of opportunity to reorganize with the recent resignations of three of the four full time athletic personnel (MA Athletic Director, and Town Assistant Recreation Director and Town Recreation Assistant). This is an opportunity to make changes, strengthen and improve program offerings through natural attrition without having to make tough personnel decisions. Seldom does an organization get such an opportunity. We report that both the School Board and Select Board did meet in joint session on two occasions for the purpose of discussing potential synergies between the two groups as outlined in the reports. We are disappointed to report that the majority of this committee does not believe that serious consideration of the proposals was undertaken by either party. Both Boards have opted to continue all programs as they currently exist and fill all open vacancies with equivalent personnel.
- **Recreation Revolving Fund** – Beginning in 2012 the Recreation department will begin utilizing the Revolving Recreation fund in accordance with RSA 35-B:2 II. This fund will receive all fees and incur all charges imposed for the use of recreation and park services and facilities. During the 2012 initial first year of operation, estimated revenues in the amount of approximately \$80,000 will be placed in the fund. Expenditures incurred in production of the anticipated revenue to be generated in the budgeted amount of approximately \$95,000 will be charged to the fund. The current shortfall of approximately \$15,000 will be absorbed by the current balance in the fund of approximately \$180,000. There remains in the Tax Levy Budget approximately \$50,000 of expenditures that should be charged to the Recreation Revolving Fund. These expenses will be moved to the fund at an annual 20 % rate over the next five years. During this five year phase in period it will be the charge of the Recreation Director to adjust aggregate revenues and expenditures to a consolidated annual break even. This committee strongly supports this model for utilizing the existing fund. This Committee further strongly suggests that the Recreation Director establish written guidelines and procedures to support all individual programs to be included in the fund. Specifically, a business model should be developed for each program indicating the total cost of the program and the minimum number of participants required to offer the program. Programs with less than minimum required participation should either be cancelled or demonstrated to be covered by other cash positive program offers.
- **Changing Fiscal Year** - The Town continues its' analysis of changing from a calendar 12/31 Fiscal Year End (FYE) to a 6/30 FYE. There are many benefits to Moultonborough changing the annual budget year from a calendar year to a fiscal year but the transition will be challenging for taxpayers and administration. Currently the Town raises taxes in arrears. The first six months spending each year is withdrawn from the accumulated fund balance. Costs for goods and services for the first three months of each year are incurred prior to budget approval. When converting from a traditional calendar year budget to the optional July fiscal year, the first budget represents an 18 month cycle requiring an additional six months of funding to bring the tax revenue current. One significant challenge facing the Town includes identifying

a funding mechanism to cover the initial 18 month transition year. A discussion will be presented at this year's March Town Meeting describing the various options for funding the transition. Should the Town vote to change to the July 1 fiscal year, we believe the most cost effective and transparent method of funding would include a combination of fund balance utilization and nominal tax rate increase.

- **Merit Pay** – We report that the Town Administration and Board of Selectmen did review and discuss our request for “Pay for Performance” or “Merit Pay” during this past year. A Merit Pay plan was developed by the Town Administrator, presented and discussed by the Select Board. It was determined that implementation of such a plan would require significant changes in current policies and procedures. A decision was made earlier this year to not pursue this issue at this time.

The committee continues to strongly encourage the Town to eliminate the current COLA mindset. In its place the wage and grade tables should be adjusted annually to reflect current changes in the Consumer Price Index. We believe that a performance rating of satisfactory is a minimum requirement for maintaining a job, not an entitlement to increased compensation. The committee firmly believes in pay-for-performance and offers to the Select Board the formation of an ABC subcommittee to work with representatives of the Board to find a way to implement such plan.

- **Financial Software** – Included in the 2012 budget is a capital item for \$100,000 representing purchase of an integrated financial software package. We recommend that in addition to basic accounting, this integrated system should include modules for Cash Management, Fixed Asset inventory tracking, Assessing, Tax Billing, Payroll and Personnel tracking. We further recommend that Administration hire a qualified consultant to assist with the selection, design and implementation of the software.
- **Consolidation of Shared Services** - During the past two years several town departments along with the school have taken steps to consolidate and coordinate various functions. Specifically, the Road Agent, the Department of Public Works, the Transfer Station, Library and the School have worked together to achieve more efficient use of personnel and equipment. The town is beginning to see savings related to cross training of personnel and more efficient use of equipment. The ABC recommends that continued efforts, both on a short and medium term basis, be made to find additional savings. The Committee believes that there are economies of scale that could be gained by consolidating efforts for grounds and building maintenance, janitorial services, bulk purchasing of common supplies and consolidated contracts for utilities and Insurance. Other longer term opportunities might include consolidation of Town and School District business offices and human resource offices. The Committee would like to see the three groups continue their efforts to consolidate and collaborate where feasible.
- **Regionalization of Shared Services** – The ABC is encouraged and strongly supports the recent effort to share the Town Code Enforcement Officer with Holderness. The Town has successfully regionalized its ambulance service over the past several years. More recently, the town has entered into a joint effort to eradicate Milfoil with Tuftonboro and Wolfeboro. The Committee believes that there are other opportunities that could jointly benefit both the Town of Moultonborough and its neighboring communities (economically and through expanded service offerings). Other disciplines that may lend themselves to regionalization might include Town Prosecutor, Visiting Nurse, Senior Services, Welfare, Police Dispatch and Waste Disposal. We encourage the Town to explore such opportunities.

Additionally, the town should continue to explore opportunities to combine services with County Administration and Operations where feasible. Moultonborough funds approximately 25% of the total County budget and should look to receive commensurate services.

Conclusion:

As stated above, the budget for 2012 as presented by the Town represents a nominal increase of .8% over the 2011 budget. This committee has spent the last four years reviewing in detail all departmental operating expenditures as well as the overall organization, policies and practices. We believe the departmental operating budgets as presented represent a fair assessment of the cost to operate the Town under its current organization. We also strongly believe that there are many opportunities to enhance community services and the operational efficiency of the Town. Moultonborough as a town has much to offer. Our economically diverse population and high property tax base affords us a unique opportunity to provide for all our citizens a lifestyle and community services that most other communities of similar size in the State find cost prohibitive. It is our belief that the Town has opportunities to provide enhanced services at no added cost through improved cooperation between the elected bodies. Many of the opportunities have been discussed above and in our previous reports. In order to accomplish further improvements and resulting enhanced community services it is imperative that all Town Boards (Select Board, School board and Library Trustees) work together in an open and transparent manner for benefit of the entire Community. To enable this community to continue to grow we need to work harder at coming together as a community. Nothing remains stagnant forever. In very well run organizations, policies, procedures and organizations are continually reviewed and adjusted to improve current conditions, trends and ever changing business models (in the world of municipal government/school, demographic models would be a more appropriate term in place of business model). Our leaders should seek shared opportunities and interests that draw our school, retirement, business and summer lakefront communities together. We are One Town / and have One Tax Rate.

Respectfully submitted,

Jean Beadle, Chair – ABC

Moultonborough Budget Advisory Committee

Alan Ballard
Jean Beadle
Ed Marudzinski
Tom Randell (ABC Alternate at Large)
Kathy Garry (School Board Representative)
Barbara Sheppard (Library Trustee Representative)
Russ Wakefield (Select Board Representative)